

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 258 – HB 386

March 18, 2009

SUMMARY OF BILL: Requires the Commissioner of the Department of Agriculture to license and regulate commercial dog and cat breeders under the “Commercial Breeder Act.” Establishes license fees for commercial breeders. Punishments for violation of this section are civil penalties up to \$1,000 for each violation and as a Class B misdemeanor by fine only.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue - \$316,800/FY09-10
\$633,600/FY10-11
\$1,056,000/FY11-12 and Subsequent
Years**

**Increase State Expenditures - \$12,000/One-Time
\$443,000/Recurring**

**Increase Local Revenue - \$81,000/FY09-10
\$162,000/FY10-11
\$270,000/FY11-12 and Subsequent
Years**

Increase Local Expenditures – Exceeds \$100,000/Permissive

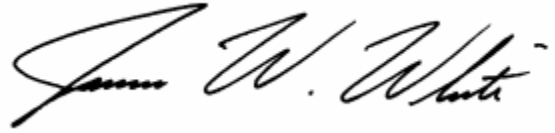
Assumptions:

- An estimated 500 commercial dog breeders across the state.
- Registration of 30 percent (150) of the commercial dog breeders in year one, an additional 30 percent (150) in year two, and the remaining 40 percent (200) in year three.
- Registration fees for commercial dog breeders possessing or maintaining 20-40 adult companion animals will equal \$500. Eighty percent of each year’s registrants will fall into this category. Annual renewal fees remain the same as initial registration fees.
- Registration fees for commercial dog breeders possessing or maintaining 41 – 75 adult companion animals will equal \$1,000. Twenty percent of each year’s registrants will fall into this category. Annual renewal fees remain the same as initial registration fees.

- The Department of Revenue, based on the assumptions provided, projects an increase of taxable sales for commercial dog breeders of approximately \$10.8 million per year.
- Taxable sales of commercial dog breeders remain constant in subsequent years.
- The state sales tax rate is currently seven percent; the average local option sales tax rate is estimated to be 2.5 percent.
- For FY09-10, the increase to state revenue is estimated to be \$316,800 [$\$90,000$ from collected fees ($150 \text{ registrants} \times 80.0\% \times \$500 + 150 \text{ registrants} \times 20.0\% \times \$1,000$) + $\$226,800$ from state sales tax ($\$10.8 \text{ million} \times 30.0\%$ (150) registered dog breeders $\times 7.0\%$ tax rate)].
- For FY10-11, the increase in state revenue is estimated to be \$633,600 [$\$180,000$ from collected initial and renewal fees ($300 \text{ registrants} \times 80.0\% \times \$500 + 300 \text{ registrants} \times 20.0\% \times \$1,000$) + $\$453,600$ state sales tax ($\$10.8 \text{ million} \times 60.0\%$ (300) registered dog breeders $\times 7.0\%$ tax rate)].
- For FY11-12, the increase in state revenue is estimated to be \$1,056,000 [$\$300,000$ from collected initial and renewal fees ($500 \text{ registrants} \times 80.0\% \times \$500 + 500 \text{ registrants} \times 20.0\% \times \$1,000$) + $\$756,000$ taxes ($\$10.8 \text{ million} \times 100\%$ (500) registered breeders $\times 7.0\%$ tax rate)].
- The Department of Agriculture will need additional personnel to set up a regulatory section within the Department. The personnel will consist of two staff veterinarians (one state coordinator, one area supervisor), five animal health techs, and one administrative assistant.
- The one-time state expenditures are estimated to equal \$12,000 ($\$2,000$ per computer $\times 6$ computers).
- The recurring state expenditures are estimated to be \$442,968.38 per year ($\$268,657$ salaries + $\$91,343.38$ benefits + $\$58,968$ travel + $\$8,000$ supplies + $\$8,000$ communications + $\$8,000$ Finance and Administration billing charges).
- For FY09-10, the increase to local government revenue is estimated to be \$81,000 ($\$10.8 \text{ million} \times 30.0\%$ (150) registered dog breeders $\times 2.5\%$ tax rate).
- For FY10-11, the increase to local government revenue is estimated to be \$162,000 ($\$10.8 \text{ million} \times 60.0\%$ (300) registered dog breeders $\times 2.5\%$ tax rate).
- For FY11-12, the increase to local government revenue is estimated to be \$270,000 ($\$10.8 \text{ million} \times 100\%$ (500) registered breeders $\times 2.5\%$ tax rate).
- The increase in local expenditures to confiscate and maintain animals in the local facilities is estimated to be in excess of \$100,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

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